

RECAPTURE OF IDAHO SMALL EMPLOYER NEW JOBS TAX CREDIT

FORM 85R
EFO00019
01-03-06

For calendar year _____, or fiscal year beginning	Month	Day	Year	ending	Month	Day	Year	
Name(s) as shown on return					Social Security Number or EIN			

REPORTING RECAPTURE

You must report recapture if you --

Did not meet the following tax incentive criteria:

1. Making capital investment in new headquarters or administrative facilities of at least \$500,000,
2. Increasing employment by at least 10 new employees who meet certain wage and benefit criteria, and
3. Hiring at least one new employee for each \$50,000 invested in new headquarters or administrative facilities.

Did not maintain the level of new employees required to earn the credit for five full years after the end of the project period.

Begin on line 5 if you are reporting recapture only because it was from a pass-through entity (partnership, S corporation, estate or trust).

IDaho SMALL EMPLOYER NEW JOBS TAX CREDIT EARNED IN PRIOR YEARS

1. a. Tax year ending _____	1a	
b. Tax year ending _____	1b	
c. Tax year ending _____	1c	
d. Tax year ending _____	1d	
e. Tax year ending _____	1e	
2. Total Idaho small employer new jobs tax credits claimed. Add lines 1a through 1e.	2	

COMPUTATION OF RECAPTURED CREDIT

3. a. If you failed to meet the tax incentive criteria, enter 100%.	3a	
b. If you did not maintain the required employment level, enter the applicable recapture percentage determined in the Recapture Worksheet, line 7, below.	3b	
4. Tentative recaptured credit. Multiply line 2 by line 3a or 3b.	4	
5. Enter your pass-through share of credit recapture from S corporations, partnerships, estates or trusts.	5	
6. Add lines 4 and 5.	6	
7. Credit recapture distributed to shareholders, partners or beneficiaries	7	
8. Enter the portion of original credit on line 2 not used to offset tax in any year. Do not enter more than line 6. Any unused credit on this line cannot be used as a carryover.	8	
9. Add lines 7 and 8.	9	
10. Recapture of small employer new jobs tax credit. Subtract line 9 from line 6. Enter here and on Form 44, Part II, line 9. Do not use this amount to reduce current year's small employer new jobs tax credit computed on Form 85.	10	

RECAPTURE WORKSHEET - If you did not meet the tax incentive criteria, do not use this section.

1. Date project period ended. _____	2	
2. Number of employees employed at the project site prior to the start of the project period	3	
3. Number of new employees required to meet the tax incentive criteria	4	

Employment During Recapture Period *Average number of employees employed primarily within the project site during the five years after the end of the project period.*

5. a. First year after the end of the project period	5a	
b. Second year after the end of the project period	5b	
c. Third year after the end of the project period	5c	
d. Fourth year after the end of the project period	5d	
e. Fifth year after the end of the project period	5e	
6. Enter the earliest year in which the average number of employees for that year fell below the qualifying level of employment reported on line 4.	6	
7. Recapture percentage from table, page 2. Enter the percentage here and on line 3b of the form.	7	

Instructions for Idaho Form 85R

GENERAL INSTRUCTIONS

Use Form 85R to compute the increase in tax for the recapture of the small employer new jobs tax credit (SE-NJTC).

If you claimed the SE-NJTC in an earlier year and fail to meet the tax incentive criteria you certified to on Idaho Form 89C, you must recapture all the SE-NJTC claimed in the earlier years.

Also, you must compute recapture if you do not maintain the level of new employees required to earn the credit for five full years from the date the project period ends.

Recapture may be necessary under the following situations:

- An S corporation shareholder's interest is reduced by a sale, redemption or other disposition of the shareholder's stock, or by the corporation's issuance of more shares.
- A partner's proportionate interest in the general profits of the partnership is reduced.
- A trust's, estate's or beneficiary's proportionate interest in the income of the trust or estate is reduced.

S corporations, partnerships, estates and trusts that pass through SE-NJTC to shareholders, partners or beneficiaries must provide schedules detailing the recapture information required to compute the recapture on their income tax returns.

Any resulting tax on recapture of prior credits must be added to the tax otherwise determined in the year of recapture.

SPECIFIC INSTRUCTIONS

Instructions are for lines not fully explained on the form.

IDAHO SMALL EMPLOYER NEW JOBS TAX CREDIT EARNED IN PRIOR YEARS

S corporations, partnerships, estates and trusts that have SE-NJTC subject to recapture must complete lines 1 through 4 to determine the amount of credit recapture. A copy of this form and a schedule detailing each shareholder's, partner's, or beneficiary's pass-through share of the recapture amount must be attached to the business's income tax return and to each K-1. Partners, shareholders and beneficiaries will use the information provided by the partnership, S corporation, trust or estate to report their pass-through share of the credit to be recaptured on line 5.

Line 1a-e. For each tax year that the SE-NJTC was earned, enter the year on the line. In the corresponding box, enter the amount of the credit earned in that tax year.

COMPUTATION OF RECAPTURED CREDIT

Line 3a. If recapture is required because you did not meet the tax incentive criteria, enter 100% on line 3a.

Line 3b. If recapture is required because you did not maintain the required level of new employees for five full years from the date the project period ended, enter on line 3b the applicable recapture percentage determined in the Recapture Worksheet at the bottom of the form. This recapture percentage is reported on line 7 of the worksheet.

Line 5. Enter the amount of recapture of SE-NJTC that is being passed to you from S corporations, partnerships, estates and trusts. Attach a copy of the schedule provided to you.

If recapture is necessary due to a reduction of a shareholder's proportionate stock interest in an S corporation, reduction in the

interest in the general profits of a partnership, or reduction in proportionate interest in the income of the trust or estate, include that recapture on line 5 as well.

Line 6. Add lines 4 and 5 to determine the amount of credit subject to recapture.

Line 7. If you are a partnership, S corporation, trust or estate, enter the amount of credit recapture that passed through to partners, shareholders, or beneficiaries. Do not include any recapture on this line for partners, shareholders, or beneficiaries for whom you are paying the tax.

Line 8. If you did not use all the credit you originally computed either in the year earned or in a carryover year, you will not have to pay tax on recapture of the amount of the tax credit you did not use.

Compute the unused portion of the original credit on a separate sheet and enter it on this line. Do not enter more than the recapture tax on line 6.

Line 10. This is the total increase in tax. Enter it on this line and on Form 44, Part II, line 9. DO NOT use this amount to reduce your current year's SE-NJTC from Form 85.

RECAPTURE WORKSHEET

Complete the recapture worksheet only if you are reporting recapture because you did not maintain the level of new employees required to earn the credit for five full years after the end of the project period. If you must report recapture because you did not meet the tax incentive criteria, do not complete the worksheet, but instead enter 100% on line 3a of the form.

Line 1. Enter the date the project period ended.

Line 2. Enter the number of employees who were employed at the project site immediately prior to the start of the project period.

Lines 5a-e. For each year of the recapture period, enter the average number of employees employed primarily at the project site. This should be listed for each year until the average number of employees reported for a year falls below the qualifying level of employment reported on line 4. The first year the average number of employees falls below the qualifying level of employment is the year in which recapture is required and determines the recapture percentage.

You do not need to report employment for years after the year in which the average number of employees falls below the qualifying level of employment.

Line 6. Enter the earliest year in which the average number of employees at the project site falls below the qualifying level of employment as reported on line 4.

Line 7. Enter the recapture percentage from the following table based on the year reported on line 6. Carry this amount to line 3b of the form.

If the year reported in the Recapture Worksheet on Form 85R, line 6 is...	Then the recapture percentage is...
First	100
Second	80
Third	60
Fourth	40
Fifth	20
Sixth or later	0